

Message Text

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ACTION EB-08

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E.O. 11652: N/A
TAGS: EAIR, PGOV, GW
SUBJECT: BERLIN - SAARBRUECKEN AIR SERVICE

REF: USBERLIN 557

1. DURING A VISIT BY THE CONSULATE GENERAL ECONOMIC OFFICER, SAARLAND MINISTRY FOR ECONOMICS AND TRANSPORTATION LUFTFAHRTREFERENT HANS JUNG TRACED THE HISTORY OF THE FINANCIALLY TROUBLED AND INTERRUPTED SAARBRUECKEN-BERLIN AIR SERVICE. HERR JUNG CONFIRMED THAT AIR ALSACE ABORTED ITS PLANS TO BEGIN SERVICE APRIL 3 BASED UPON VFW (VEREINIGTE FLUGTECHNISCHE WERKE) INABILITY TO FOLLOW THROUGH WITH ITS OBLIGATION TO PROVIDE GUARANTEES FOR MAINTENANCE, SERVICE, AND SPARES OVER A FIVE YEAR PERIOD, WHICH IN TURN WOULD BE ACCEPTABLE TO BANKERS AND OTHER CREDIT INSTITUTIONS. THE FIALURE ON THE PART OF VFW WAS SAID TO STEM FROM FOKKER-VFW DISCONTINUATION OF F-614 PRODUCTION AND NO PROSPECTS FOR RESUMPTION AS PART OF PLANNED VFW COOPERATION WITH MBB (MESSERSCHMIDT BOELKOW BLOHM).
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2. AIR ALSACE, PROJECTING LOSSES UNDER THE ORIGINAL AGREEMENT AT DM 2.5 MILLION FOR THE FIRST YEAR AND DM 500,000 FOR THE SECOND YEAR, HAD ASKED THE SAARLAND GOVERNMENT FOR A LUMP-SUM SUBSIDY OF DM 3 MILLION. THE SAARLAND GOVERNMENT HAD AGREED TO DM500,000 YEARLY OVER FIVE

YEARS, WITH THE PROVISION THAT SERVICE WOULD BE CONTINUED FOR AN ADDITIONAL FIVE YEARS WITHOUT FINANCIAL HELP.

3. REGARDING FURTHER PLANS TO ESTABLISH THE SAAR-BRUECKEN-BERLIN SERVICE, HERR JUNG STATED THAT DISCUSSIONS ARE UNDERWAY WITH BOTH AMERICAN AND BRITISH LINES. ACCORDING TO HERR JUNG, PANAM WAS BASICALLY INTERESTED ON THE BASIS OF DM 500,000 ANNUAL SUBSIDY FROM THE SAARLAND GOVERNMENT AND THE POSSIBILITY OF CONNECTIONS TO MORE PROFITABLE PANAM FLIGHTS; HOWEVER, NON-AVAILABILITY OF PANAM'S LIMITED NUMBER OF PLANES FOR THIS LOWER-PRIORITY RUN IS ALL LIKELIHOOD RULES OUT PANAM PARTICIPATION. A LIMITED NUMBER OF PLANES WITH ONLY A SMALL SEATING CAPACITY (12 SEATS) APPEAR AS DISADVANTAGES FOR AEROAMERICA. HERR JUNG IS SCHEDULED TO MEET APRIL 14 WITH A THIRD AMERICAN CARRIER, BERLIN AIR, WHICH HE PERCEIVES TO BE FAVORED BY THE BERLIN SENAT.

4. BRITISH INTRA AIRWAYS IS SAID TO BE IN A GOOD TAX SITUATION WITH ITS OLDER VICKERS VICOUNT PLANES, BUT JUNG HAS SOME RESERVATIONS ABOUT THE AGE OF THE EQUIPMENT.

5. HERR JUNG CONCLUDED BY STATING THAT THE PLANE LIMITED OFFICIAL USE

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TO BE CHOSEN SHOULD BE A TURBO PROP WITH ABOUT 40-60 SEATS. HE MENTIONED THAT A FOCKER-28 TWO ENGINE WITH 60 SEATS WOULD BE IDEAL.

6. BASED UPON HERR JUNG'S OBSERVATIONS, IT APPEARS THAT THE SAARBRUECKEN LAND GOVERNMENT IS INTERESTED IN GETTING THIS SERVICE ESTABLISHED BY SOME CARRIER, EVEN THOUGH NONE IS CURRENTLY PREPARED WITH AVAILABLE EQUIPMENT OF THE TYPE DESIRED. SIMILARLY, DESPITE THE UNCERTAIN PROFIT SITUATION, SOME OF THE SMALLER BERLIN-BASED CARRIERS CONTINUE TO BE INTERESTED, PROBABLY BY THE PROSPECT OF FINANCIAL HELP FROM THE SAARLAND GOVERNMENT TOGETHER WITH ANY BENEFITS TO BE OBTAINED FROM THEIR BERLIN POSITION. LEHMANN

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